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Dominion Leaseholds Ltd.

Annual Report
1961

"A PROGRESSIVE INDEPENDENT OIL COMPANY"

DOMINION LEASEHOLDS LTD.

WHOLLY OWNED SUBSIDIARIES:

DOMINION LEASEHOLDS OIL CO. INC.
OKLAHOMA, U.S.A.

DOMINION LEASEHOLDS OPERATORS LTD.
ALBERTA, CANADA

INCORPORATION

Incorporated under the laws of the Province of Alberta, Dominion of Canada, on the 30th day of January, 1951.

CAPITALIZATION

Authorized Share Capital (\$1.00 Par Value)	4,000,000 shares
Issued, and Outstanding	1,987,574 shares
Unissued	2,012,426 shares

**REGISTRARS
TRANSFER
AGENTS**

National Trust Company Limited *Edmonton, Calgary,
Montreal, Vancouver*

AUDITORS

Deloitte, Plender, Haskins & Sells *Financial Building,
Edmonton, Alberta, Canada*

Haskins & Sells *Mid Continent Building,
Tulsa 3, Oklahoma, U.S.A.*

**LEGAL
COUNSEL**

Milner, Steer, Dyde, Massie, Layton,
Cregan & Macdonnell *Milner Building,
Edmonton, Alberta, Canada*

Doerner, Stuart, Moreland,
Campbell & Saunders *1218 Atlas Life Building,
Tulsa, Oklahoma, U.S.A.*

**TRADING
FACILITIES**

Canadian Stock Exchange *Montreal, Quebec, Canada*
Vancouver Stock Exchange *Vancouver, B.C., Canada*
Calgary Stock Exchange *Calgary, Alberta, Canada*

**REGISTERED
OFFICES**

Dominion Leaseholds Building (Head Office) *Edmonton, Alberta, Canada*
503 McCallum Hill Building *Regina, Saskatchewan, Canada*
475 Howe Street *Vancouver, British Columbia, Canada*
209 Power Building *Winnipeg, Manitoba, Canada*

*Dominion
Leaseholds
Oil Co. Inc.*

1218 Atlas Life Building *Tulsa, Oklahoma, U.S.A.*

**EXECUTIVE
OFFICES**

Dominion Leaseholds Building *Edmonton, Alberta, Canada*

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors takes pleasure in submitting the eleventh annual report on the affairs of the Company and its wholly-owned subsidiaries. Consolidated financial statements for the fiscal year ended July 31, 1961 are included with this report.

SALES AND REVENUE:

Although gross revenue from the sale of oil increased to \$436,759 during the period from \$392,910 in the previous year a substantial increase in overall operating costs in connection with operations in the United States resulted in a loss (before providing for depreciation and amortization but including the cost of properties sold and abandoned) of \$137,672.

OKLAHOMA DEVELOPMENT:

During the year under review the Company continued to develop the proven properties held by one of its wholly-owned subsidiaries in Oklahoma. Four additional oil wells were drilled during the period all of which were completed as commercial producers. In carrying out this drilling program the Company was able to employ to a large extent its own equipment.

But notwithstanding the successful drilling program referred to above considerable difficulty was encountered during the period in connection with the operation and management of the Company's properties in Oklahoma. Steps are now being taken to refinance these properties on an adequate basis so that they can be fully and economically developed under proper management. Although the Company's return on its investment in these properties will be delayed by the problems of development and management which have had to be dealt with since the date of acquisition, it is now anticipated that by the application of new productive techniques which have proved to be very satisfactory in other similar cases and with sound management the return from these properties will become substantial.

FINANCIAL PLANS:

During the period under review various plans to finance the general development and expansion of the Company were considered with a view to both improving the working capital position of the Company and furnishing the Company with the additional funds required for such expansion and development. These plans which are still being pursued have involved the Company in substantial expense in the preparation of engineering and geological surveys, financial statements and other reports. These expenses should not recur during the current year and it is expected that an adequate plan of financing will be completed shortly.

NAMAO OIL AND GAS FIELD:

Of great importance to the Company has been the recent unitization of the Namao oil and gas field located approximately ten miles north of Edmonton in which the Company is the largest

of twenty-one participants holding a 17% interest in the oil reserves and a 19% interest in the natural gas reserves. The completion of this plan of unitization which covers approximately two thousand acres of proven oil and gas reserves will increase substantially the allowable production of both oil and natural gas from the Namao field and the Company's share of this production will increase its gross revenue during the current year by approximately \$3,000 a month.

GENERAL:

During the period a number of changes were made in the Company's non-productive holdings. The Company's acreage in Manitoba was surrendered and certain of its holdings in Saskatchewan were reduced. Other leases were disposed of on favourable terms and in most cases the Company retained an interest by way of royalty. In addition several new interests were acquired in promising areas where development work is being carried on particularly in Alberta and in the opinion of the management the overall holdings of the Company were strengthened.

FUTURE DEVELOPMENT:

To more effectively control the operations of the Company in the United States and with a view to future expansion, negotiations have recently been concluded with a group in the United States which has now acquired a substantial interest in the Company. So that this group might be represented on the board of directors, Mr. R. R. Woolcott of New York and Mr. W. S. Wallis of Dallas, Texas have recently been appointed directors of the Company. In addition Mr. Woolcott has become chairman of the board. It is the intention of the management of the Company to continue an active policy of development and at the present time a number of interesting projects are being considered. Shareholders will be kept in touch from time to time with any significant developments.

STAFF:

The board of directors would once again like to record its appreciation to the members of the staff for their loyalty and co-operation.

On behalf of the Board of Directors.



H. P. W. Wright,
President

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DOMINION LEASEHOLD OPERATORS LTD. DOMINION L

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash	\$ 726.45
Accounts receivable—trade	21,565.72
other	9,950.20
Note receivable	222,572.00
Investments—at cost:	
Government Bonds	772.50
Marketable securities	2,383.87
Inventory:	
Oil in storage—at market	32,985.98
Storehouse stock—at cost	12,326.19
Refundable deposits	618.65
Prepaid expenses	6,287.27
	<u>310,188.83</u>

INVESTMENT IN AND ADVANCES TO SUBSIDIARY—at cost—Note 1:

Pigeon Lake Petroleum Limited—shares	\$ 20,932.00
advances	<u>7,446.61</u>
Total investment and advances	28,378.61

FIXED ASSETS—at cost:

Interest in Properties—Note 2:

Proven developed	1,187,437.57
Proven undeveloped	258,855.21
Undeveloped	370,876.76
Intangible development costs	<u>85,796.70</u>
	1,902,966.24
Accumulated depletion	<u>204,750.64</u>
Net interest in properties	<u>1,698,215.60</u>

Producing Plant:

Production equipment	1,433,274.09
Accumulated depreciation	<u>249,936.41</u>
Net interest producing plant	<u>1,183,337.68</u>

Non-Producing Plant:

Automotive equipment	24,997.91
Office equipment	<u>7,211.91</u>
	32,209.82

Accumulated depreciation	16,489.43
Net interest non-producing plant	<u>15,720.89</u>

Net fixed assets	2,897,273.67
	39,698.00

DEFERRED EXPENSE—at cost

	505.75
Reorganization and share issue less amount written off	<u>32,346.06</u>
Goodwill	<u>11,133.56</u>

TOTAL	<u>\$3,319,524.48</u>
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The notes on page 7 are an

SEHOLDS LTD.

ARIES
IL CO. INC. DEAN J. BRIGGS OIL DEVELOPMENT INC.

ET AS AT JULY 31, 1961

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank overdraft—secured	\$ 30,712.03
Accounts payable—trade	96,936.61
other—secured	60,000.00
Franchise tax payable	1,964.39
Accrued expenses	2,832.34
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6½ % mortgage note	192,445.37
Mortgage payments due within one year	39,303.89
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	199,783.29
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	431,532.55

LONG-TERM LIABILITIES:

6 % secured mortgage payable—less included in current liabilities—Note 3	\$ 965,073.66
Due to shareholder	60,518.34
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Total long-term liabilities	1,025,592.00
Total liabilities	1,457,124.55
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UNEARNED GAIN ON FOREIGN EXCHANGE	32,282.74

CAPITAL STOCK AND DEFICIT:

Capital stock:

Authorized—4,000,000 common shares of a par value of \$1.00 each	
Issued and fully paid—1,142,574 shares—Note 4	1,142,574.00
Stock dividend—out of appraisal surplus: 845,000 shares at \$1.00	845,000.00
Total	<hr/> 1,987,574.00

Deficit:

Balance July 31, 1960	\$ 63,841.57
Net loss for the year ended July 31, 1961	403,292.09

Balance July 31, 1961	467,133.66
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Less Surplus:

Contributed—premium on shares issued	48,785.00
Capital—Note 5	260,891.85

Net deficit	157,456.81
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Total capital stock less deficit	<hr/> 1,830,117.19
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Signed on behalf of the Board:

H. P. W. WRIGHT, Director.

R. A. HARRISON, Director.

This is the consolidated balance sheet referred to in the accompanying report of Deloitte, Plender, Haskins & Sells,, Auditors, dated December 15, 1961.

TOTAL	\$3,319,524.48
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DOMINION LEASEHOLDS LTD.

AND ITS SUBSIDIARIES

DOMINION LEASEHOLD OPERATORS LTD. DOMINION LEASEHOLDS OIL CO. INC. DEAN J. BRIGGS OIL DEVELOPMENT INC.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED JULY 31, 1961

REVENUE:

Gross production income	\$ 417,568.31
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OTHER INCOME:

Interest	\$ 16,120.40
Management fees	1,400.00
Used equipment sales	917.68
Other income	752.44
Total	19,190.52
	436,758.83

PRODUCTION COST:

Direct production costs	334,710.73
District expense	12,857.21
GROSS MARGIN	347,567.94
	89,190.89

GENERAL AND ADMINISTRATIVE EXPENSES:

Salaries and wages	26,246.91
Directors' fees	1,000.00
Office supplies and services	5,378.25
Rent and utilities	5,850.17
Engineering services	1,663.76
Lease rentals	5,514.78
Advertising and promotion	3,257.72
Legal and audit fees	6,057.66
Travel expenses	2,861.69
Motor equipment expense	990.26
Insurance expense	267.31
Business and franchise taxes	2,159.10
Listing and transfer fees	7,560.86
Less recovery of expenses	68,808.47
Total general and administrative expenses	10,000.00
	58,808.47
	30,382.42

OTHER EXPENSE:

Interest expense	85,368.95
Loss on securities	205.00
Cost of properties sold and abandoned	76,594.31
Less sale of properties	(2,200.00)
Amortization of reorganization expense	8,086.52
LOSS BEFORE DEPLETION AND DEPRECIATION	168,054.78
	137,672.36

DEPLETION AND DEPRECIATION:

Depletion of producing properties	106,392.17
Depreciation—producing equipment	153,920.05
automotive equipment	4,520.84
office equipment	548.17
	265,381.23
	403,053.59
	238.50

CORRECTION OF PRIOR YEAR'S EXPENSES

NET LOSS FOR THE YEAR	\$403,292.09
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The notes on page 7 are an integral part of these statements.

DOMINION LEASEHOLDS LTD.

AND ITS SUBSIDIARIES

DOMINION LEASEHOLD OPERATORS LTD.,
DOMINION LEASEHOLDS OIL CO. INC., AND
DEAN J. BRIGGS OIL DEVELOPMENT INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 1961

- 1(a) The company holds a 54½% interest in Pigeon Lake Petroleum. From the time of acquisition of control to July 31, 1961 the subsidiary had incurred a loss of \$8,618.52 for which no adjustment has been made in these statements regarding the parent company's share.
- (b) All the issued stock of Dean J. Briggs Oil Development Inc., was acquired by Dominion Leaseholds Oil Co., Inc. from Dominion Leaseholds Ltd. on February 18, 1961 at a cost of \$1,025,000.00 in Canadian dollars.
- 2(a) On March 25, 1957 Dominion Leaseholds Ltd. interest in producing properties, undeveloped properties and royalty holdings, was appraised by Oilfield Consultants Ltd., and valued at \$922,502.00. Subsequent additions have been included at cost and disposals have been recorded at appraised values or cost where applicable. The amounts included in these statements which apply to this note are:

Producing properties	\$742,366.11
Undeveloped properties	120,532.52
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- (b) As security for certain advances the company granted an option to purchase certain of the company's Alberta producing properties. This option is not exercisable until March 31, 1962 and is subject to cancellation provided Dominion Leaseholds Ltd. repay the advance of \$60,000.00 plus a bonus which to the date of this report is estimated to amount to \$4,000.00.

3. Commitment.
Under the terms of the mortgage agreement there is an obligation to develop the proven undeveloped properties.

4. The breakdown of shares issued and fully paid is as follows:

Issued for cash—342,574 shares at \$1.00	\$ 342,574.00
Issued in exchange for \$800,000 6% convertible debentures —800,000 shares at \$1.00	800,000.00
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5. Capital Surplus:

Capital surplus has been computed as follows:

Value of assets acquired from Dean J. Briggs Oil Development, Inc. as at January 1, 1960	\$2,413,609.00
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Less: Mortgage assumed	\$1,360,870.00
6% ten year convertible debenture	800,000.00
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Capital Surplus	\$ 252,739.00

AUDITORS' REPORT

To the Shareholders of
Dominion Leaseholds Ltd.:

We have examined the consolidated balance sheet of Dominion Leaseholds Ltd. and its subsidiaries, Dominion Leasehold Operators Ltd., Dominion Leaseholds Oil Co. Inc. and Dean J. Briggs Oil Development, Inc. as at July 31, 1961 and the consolidated statement of profit and loss for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary except that the scope of our engagement did not include observation of physical inventories at either the beginning or end of the year but have relied upon the information supplied by management.

In our opinion, except that we did not observe the physical stocktaking of the inventories as stated in the preceding paragraph, the accompanying consolidated balance sheet and consolidated statement of profit and loss are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at July 31, 1961 and the results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with the prior years and according to the best of our information and the explanations given to us and as shown by the books of the companies.

DELOITTE, PLENDER, HASKINS & SELLS,

Auditors.

December 15, 1961.

DIRECTORS AND OFFICERS

DIRECTORS

*Dominion
Leaseholds
Ltd.*

R. A. Harrison	<i>Edmonton, Alberta, Canada</i>
P. L. P. Macdonnell	<i>Edmonton, Alberta, Canada</i>
W. S. Wallis	<i>Dallas, Texas, U.S.A.</i>
R. R. Woolcott	<i>New York, U.S.A.</i>
H. P. W. Wright	<i>Edmonton, Alberta, Canada</i>

OFFICERS

*Dominion
Leaseholds
Ltd.*

R. R. Woolcott	<i>Chairman of the Board</i>
H. P. W. Wright	<i>President and Managing Director</i>
R. A. Harrison	<i>Secretary-Treasurer</i>
P. L. P. Macdonnell	<i>Assistant Secretary</i>

DIRECTORS

*Dominion
Leaseholds
Oil Co. Inc.*

R. A. Harrison	<i>Edmonton, Alberta, Canada</i>
H. D. Moreland	<i>Tulsa, Oklahoma, U.S.A.</i>
W. S. Wallis	<i>Dallas, Texas, U.S.A.</i>
R. R. Woolcott	<i>New York, U.S.A.</i>
H. P. W. Wright	<i>Edmonton, Alberta, Canada</i>

OFFICERS

*Dominion
Leaseholds
Oil Co. Inc.*

R. R. Woolcott	<i>Chairman of the Board</i>
H. P. W. Wright	<i>President</i>
W. S. Wallis	<i>Vice President</i>
R. A. Harrison	<i>Secretary-Treasurer</i>
H. D. Moreland	<i>Assistant Secretary</i>

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